PROCESS AND PROCEDURES GUIDE--VOLUNTARY AGREEMENTS FOR RETAIL REFUNDS

VERSION 1.0

LAST UPDATED:

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TABLE OF CONTENTS

CHANGE SUMMARY

DATE	VERSION	DETAILS

PROCEDURAL GUIDELINES

A. INTRODUCTION

TRICARE Management Activity currently uses two refund instruments for eligible prescription drugs filled through the TRICARE retail pharmacy network. These Voluntary Agreements for Retail Pharmacy Refunds (VARR) use the same operational concepts for invoicing, payment, and reconciliation.

The Uniform Formulary Voluntary Agreement for TRICARE Retail Pharmacy Refunds (UF VARR) is contingent upon pharmaceutical agents being placed on the generic (1st tier) or formulary (2nd tier) of the DoD Uniform Formulary. Refund quotes for UF VARRs may be submitted only for pharmaceutical agents that are scheduled for review by the DoD Pharmacy & Therapeutics (P&T) Committee at the next committee meeting. The DoD P&T Committee will consider refund quotes for UF VARRs as part of its evaluation of the relative cost effectiveness of pharmaceutical agents in recommending the placement of pharmaceutical agents on the DoD Uniform Formulary. UF VARRs have been used by the DoD P&T Committee since August 2006 as an aid for executing agreements based on recommendations of the P&T Committee and decisions of the TRICARE Management Director.

Section 703 of the National Defense Authorization Act for Fiscal Year 2008 provides: "With respect to any prescription filled on or after the date of enactment of [this Act], the TRICARE retail pharmacy program shall be treated as an element of the Department of Defense for purposes of the procurement of drugs by Federal agencies under section 8126 of title 38 to the extent necessary to ensure that pharmaceuticals paid for by the Department of Defense that are provided by pharmacies under the program to eligible covered beneficiaries" are "subject to" Federal ceiling prices. The statute goes on to command the Department of Defense to "modify the regulations under" the TRICARE Pharmacy Benefits Program "to implement the requirements of" this new law "not later than December 31, 2007." The President signed the National Defense Authorization Act for Fiscal Year 2008 on January 28, 2008.

The Pharmaceutical Operations Directorate of TRICARE Management Activity continues to provide pharmaceutical manufacturers the opportunity to offer appropriate pricing in the retail network pharmacy portion of the program by using the Utilization Voluntary Agreement for TRICARE Retail Pharmacy Refunds (VARR (Utilization)). VARR (Utilization) are not contingent on the placement of the pharmaceutical agent on the DoD Uniform Formulary. Refund quotes for VARR (Utilization) may only be submitted for pharmaceutical agents that are not scheduled for review at a specific meeting by the DoD P&T Committee. There is no association between formulary placement and the refund quote for or the establishment of a VARR (Utilization). VARR (Utilization) has been available since August 2006.

B. GENERAL CONCEPT

Apply VARR-based discount as the basis for refunds on covered drugs DoD dispenses through the TRICARE retail pharmacy network (TRRx) under the TRICARE Retail Pharmacy Benefit Program.

Pharmaceutical Operations Directorate (POD) provides program management and oversight to the retail pharmacy refund program.

Pharmacy Data Transaction Service (PDTS) provides the POD a robust audit trail and reporting process for transaction based invoicing.

VARR-based discount (WAC, FCP, or FCP plus additional discount) applies to TRRx purchases.

Other Federal Pricing not currently applicable unless specific language included for TRRx purchases:

> Federal Supply Schedule (FSS) pricing
> Incentive Agreements
> Blanket Purchase Agreements (BPAs)
> Temporary Price Reductions (TPRs)
> VA/DoD Contracts

PROCESS OVERVIEW

A. DATA FLOW

Prescription presented to TRICARE retail network pharmacy;

PDTS verifies beneficiary eligibility via interface to DEERS;

PDTS conducts clinical, coverage determination, and formulary edits;

Pharmacy Benefit Manager (PBM) notifies TRICARE retail network pharmacy of dispensing authorization based on eligibility verification and edits;

TRICARE retail network pharmacy, on behalf of DoD, collects cost shares;

Transaction captured by PDTS

B. REFUND CYCLE (SEE CHART ON PAGE 7)

Pharmaceutical Operations Directorate (POD) uses PDTS to generate standard NCPDP (v3.02 or current) reports, based on paid (TED) claims;

POD makes reports available to Industry;

POD establishes relationships with pharmaceutical industry for processing refunds;

POD invoices manufacturer—Manufacturer calculates refund based on VARR benchmark;

Resolution of potential data issues through POD, if applicable;

Refunds directly to TMA Government Account;

POD conducts periodic audits for accuracy of VARR based pricing elements.

REFUND CYCLE

LEGEND
- FLOW OF FUNDS
- FLOW OF DRUGS
- FLOW OF DATA
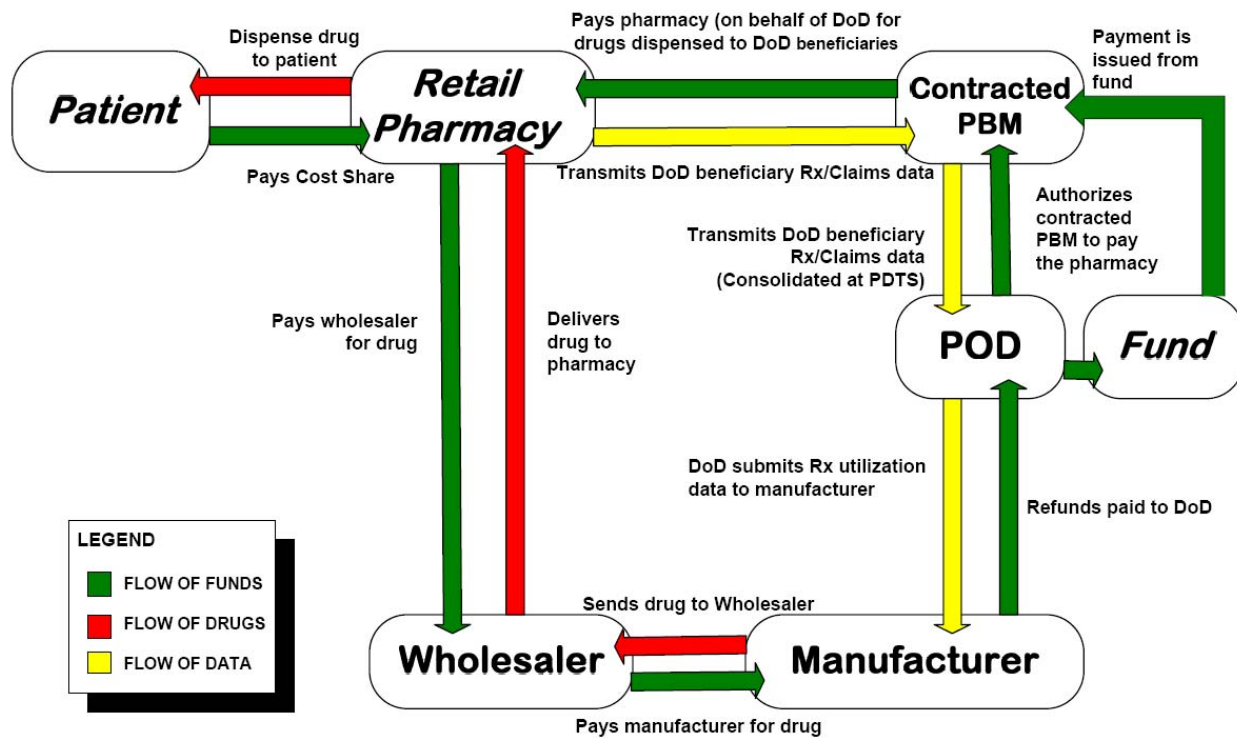
OPERATIONAL DETAILS

A. CLAIMS COVERAGE

The refund process applies only to TRICARE retail network claims. The data file will consist of only claim types included in the refund process. The POD will ensure that non-eligible claims are excluded from the data file.

Claims *excluded* from the TRICARE Retail refund reports are:

Military Treatment Facilities (MTF) claims;

TRICARE Mail Order Pharmacy (TMOP) claims;

TRRx claims from non-network pharmacies;

TRRx claims from DoD beneficiaries; (paper/Direct Member Reimbursement (DMR) claims)

TRRx claims from state Medicaid agencies;

TRRx claims from commercial payers (e.g., Coordination of Benefits (COB) claims);

TRRx claims from aggregators/clearinghouses;

TRRx claims from Indian Health Service or Veterans Administration facilities;

Compounded prescription claims;

Repackaged products (until such time as a correlation to the originator product can be achieved);

Abbreviated New Drug Application (ANDA) Generics;

OTCs (except insulin and related supplies)

The TRRx-contracted PBM is prohibited from including any TRRx claim in their commercial book of business for any type of reimbursement from manufacturers or any other source. Likewise, the TRICARE Managed Care Support Contractors (MCSCs) no longer process TRICARE Retail Pharmacy claims, eliminating the possibility of including TRRx claims in their commercial book of business. This does not preclude TRICARE MCSCs from entering into rebate agreements for drug expenses which are paid under the scope of responsibility of those contracts outside of the DoD TRRx program.

B. FILE DELIVERY

POD will distribute invoices and transaction level data on or about the 15th day of the month following the billing period. Billing periods span the calendar quarter beginning with January through March, followed by April through June; July through September; and October through December.

The POD will place data files on a secure FTP (SFTP) server. Each manufacturer will have the option to pull the file or have the file pushed to them. SFTP technical details are in the Interface Control Document (ICD).

C. FORMAT

As described in the ICD, the DoD will use the NCPDP v3.02 (or current) Manufacturer Rebate Flat File Utilization Standard to report utilization.

Three file types will be delivered each quarter.

1. Utilization Flat File: Transaction Level Data

Utilization detail records will be provided at the individual claim level to report transaction level data.

2. Summary Utilization Flat File: Product Level Data

Utilization detail records will be provided at an NDC level to report product level data.

3. Reconciliation Flat File: Product Level Data

Utilization records will be summarized at an NDC level and plan type to provide the associated refund amount for reconciliation of the NDC numbers.

See Addendum B for examples.

D. PRIOR PERIOD ADJUSTMENTS

The pharmacy industry standard is to process reversals within 10 days if the prescription has not been dispensed. However, if reversals are not processed within 10 days of the end of the quarter, the reversals will be captured during the next quarter's data. These out of cycle reversals will be annotated in the detail transaction file by negative transactions types and imbedded in the totals of the summary report.

E. QUALITY ASSURANCE

PDTS provides an extensive audit trail for an entire transaction, e.g. eligibility, cost, and point of service. The POD will review the data prior to release, to prevent duplicate claims, spillovers (e.g., June claims submitted with July file), and assess general data integrity.

Pharmacies are accountable for accurate input of the NDC number correlating to dispensed product. TRRx contract requirements include audit provisions of network pharmacies for prescription data integrity to include NDC number accuracy. This is monitored both by the TRRx PBM and POD.

F. CUSTOMER SERVICE SUPPORT

Support representatives can assist manufacturers with communication connectivity, transfer status/issues, system availability, and other questions or inquiries.

Hours are from 8:30 am to 4:00 pm CST, Monday through Friday.

Phone Number: (866) ASK-4PEC (866-275-4732)

Email: 703refunds@amedd.army.mil

G. HEALTH INSURANCE PORTABILITY AND ACCOUNTABILITY ACT (HIPAA) SECURITY

The data provided to the manufacturer will be deidentified. No patient names will be contained in the data files. Patient IDs will be scrambled to ensure that they cannot be used to identify the patient, but to preserve the ability to create profiles corresponding to the surrogate IDs across reporting periods.

Because the utilization data will contain Rx numbers, pharmacy identifiers and dispense dates, the transfer of data to the manufacturer will be managed in a fashion consistent with HIPAA Privacy and Security requirements that are applied to Protected Healthcare Information (PHI).

The data provided to the manufacturers are being utilized in a fashion consistent with HIPPA-recognized use of Treatment, Payment, and Operations (TPO).

Electronic file transfers will be encrypted using Pretty Good Privacy (PGP).

In order to preserve the security of the PDTS system, manufacturer data will be transferred from the secure DoD environment to a secure commercial processing system for staging and transfer. PDTS IDs will be encrypted prior to delivery to the commercial system. A firewall will be established between the DoD environment and the commercial environment.

REFUND CALCULATIONS

A. BACKGROUND

VARR quotations submitted after 28 January 2008 use Federal Ceiling Price as a benchmark. This document includes guidance for manufacturers to follow when calculating the refund for their products. Manufacturers are referred to CMS Release 137 (dated May 13, 2005) for previously issued guidance regarding VARR program refunds and Average Manufacturer Price (AMP) and Best Price (BP).

The Veterans Health Care Act of 1992 (VHCA) establishes a price cap, known as the Federal Ceiling Price (FCP), for sales of covered drugs to DoD, VA, the Public Health Service and the Coast Guard (the Big 4). The FCP is based on a drug manufacturer's non-Federal Average Manufacturer Price (non-FAMP). The non-FAMP is the average price paid to the manufacturer by wholesalers (or, in appropriate cases, others who purchase directly from the manufacturer) for drugs distributed to nonfederal purchasers, taking into account any cash discounts or similar price reductions given to those purchasers. The non-FAMP does not reflect refunds paid by the manufacturer to third-party payers. The FCP is 76 percent of the annual non-FAMP, minus an "additional discount" designed to offset annual increases in the non-FAMP exceeding the inflation rate. (There is also a dual FCP computation in second or subsequent years of an FSS contract, based on the recent FSS contract price of a drug, which is increased by the percentage increase in CPI-U over a twelve-month period. In such years, the lower of the two calculated numbers becomes the new FCP.) Manufacturers may not charge a Big 4 agency a price exceeding the FCP for covered drugs procured by the agency. Manufacturers may agree to prices below FCP for Federal Supply Schedule (FSS) contracts.

B. REFUND CALCULATIONS:

The current annual non-FAMP will be used as a benchmark for the refund calculations. The most recently available annual non-FAMP, reported to VA in November each year, will be used for transactions that occurred during the current DoD fiscal year, to include the first quarter of the fiscal year (Oct – Dec) reported each January. The currently established FCP, effective from January 1 through December 31, will be used for refund calculations and reconciliation reports relating to transactions that occurred during the same calendar year.

Example: The November 2007 annual non-FAMP and the 2008 FCP will be used in refund calculations based on TRRx transactions that occur during the 1st, 2nd, and 3rd calendar quarters of 2008.

New Drugs: For a new drug without sales history, the first (provisional) benchmark is the initial list wholesale price, minus any discounts, and it will be the price used to begin the TRRx refund calculation. Thereafter, the normal reporting of temporary and first annual (permanent) non-FAMPs will be used to determine the TRRx benchmark prices. Provisional, temporary and permanent FCPs, as appropriate, will be applied to these new drug benchmarks.

Direct Contract Sales: Actual sales prices from direct pharmacy contract sales may be used as benchmarks by a manufacturer when these direct sales can reasonably be ascertained and attributed to TRICARE claims. Direct contract sales are those sales, where the manufacturer has a contractual

agreement with a network retail pharmacy or chain at an established price and the product is provided directly to the pharmacy/chain, or through a wholesaler at that established price. If actual sales prices (direct contract sales) are used to adjust the refund calculations, then the manufacturer must segregate the direct contract sales data to provide visibility and an audit trail.

Each quarter two files for each program (e.g. UF VARR and VARR (Utilization) will be generated. Manufacturers with existing UF VARR Agreements that use WAC as the basis for the refund will continue to receive their reports as in previous quarters. VARR (Utilization) reports will contain no pricing data. Manufacturers should use the methodology described in this section to calculate the value of the refund.

The detail report will contain a listing of each transaction. This report is provided so that manufactures may validate the summary report.

The summary report contains the metric quantity of all prescriptions dispensed for a specific 11 digit NDC number.   The manufacturer will calculate the total number of package size units by dividing the total metric quantity by the package size (contents metric quantity) of that 11 Digit NDC number. The manufacturer will then *round down* the resulting number of package size units to the next whole number package size for the purpose of refund calculations. The remainder (fractional or decimal units) from this calculation will not carry over to the next billing cycle.

For example, an 11 digit NDC number has a package size of 100 tablets per bottle, and the aggregate quantity dispensed for the quarter is 1230 tablets. The quantity on which the refund and non-FAMP would be calculated is 12 bottles (1200 tablets), with the remainder of 30 tablets reported not carried over to the next reporting cycle. This is the total product cost to DoD.

The manufacturer will calculate the refund using the total product cost to DoD, which is the total number of packaged units dispensed, based on the 11 digit NDC number product, multiplied by either the current annual non-FAMP reported to VA or, where applicable, the actual sales price as a result of direct sales or specifically identifiable contract sales made through a wholesaler(s). The refund is the difference between total product cost to DoD, less the lower of the total cost at FCP or additional discount below FCP.

C. PROPRIETARY INFORMATION & SECURITY

Due to the proprietary nature of these data and cost figures, it is imperative to assure confidentiality and integrity of reconciliation and audits. The DoD, VA, and the manufacturer will control access to the data files.

PAYMENT INFORMATION

A. PAYMENT TIMELINE:

Refunds along with reconciliation report will be due to TMA no later than (NLT) 70 days following the date of the POD quarterly report.

Manufacturers must submit and receive approval from the Chief, Pharmaceutical Operations Directorate or designee no later than 14 calendar days prior to the invoice due date for an extension.

The POD will notify the manufacturer of any discrepancies within 30 days receipt of payment and reconciliation report.

The above timeline is specific to the TRICARE refund process. VA requirements for non-FAMP calculation and reporting are separate from this process.

B. PAYMENTS:

Payments may be sent as checks to:

>TRICARE Management Activity
>
>Attn: CRM
>
>16401 East Centretech Parkway
>
>Aurora, CO 80011-9066

Or, payments may be sent as an electronic funds transfer to the following TMA bank account at:

>Fitzsimons Federal Credit Union
>
>ABA/Routing# 302075458
>
>Account #750430

C. RECONCILIATION REPORTS:

Manufacturers must use the CMS reconciliation of state invoice (ROSI) to provide product reconciliation. The manufacturer will use only valid adjustment and dispute codes for ROSI when returning this file for remittance.

D. DISPUTE RESOLUTION AND APPEALS:

If a manufacturer disagrees with the data in the quarterly refund reports, the manufacturer may send a prompt written notice, fax, or email.

TRICARE Management Activity

Attn: Pharmacy Operations Directorate

5111 Leesburg Pike, Suite 810

Falls Church, VA 20031

FAX – (703) 681-1940

Email – ufvarr@tma.osd.mil (SUBJECT line – Dispute <manufacturer name><product><NDC>)

Such notice shall be received by the POD no later than 10 calendar days after the manufacturer's discovery of the alleged error, but in any event no later than one year after the date of the quarterly report containing the alleged erroneous data. The notice shall include specific identification of the alleged error and the specific reasons(s) the manufacturer believes the data to be in error, along with all available documentation that supports the manufacturer's allegation(s).

The POD will initiate a prompt review of the data following receipt of the notice and documentation provided by the manufacturer. The parties agree to use their best good faith efforts to resolve any disagreement within 60 calendar days of the POD's receipt of the manufacturer's written notice.

ADDENDUM A – SOURCES OF INFORMATION

SUBJECT MATTER	NAME	DEPARTMENT	EMAIL	PHONE
Program Management	LTC Travis Watson	Pharm Ops Directorate, TMA	ufvarr@tma.osd.mil	703-681-2890
Refund Reports/Disputes	Lisa McNair	Pharm Ops Directorate, TMA	ufvarr@tma.osd.mil	703-681-2890
Technical Guidance	Customer Service	Pharmacy Operation Center	703refunds@amedd.army.mil	(866) 275-4732
Customer Support	Customer Service	Pharmacy Operation Center	703refunds@amedd.army.mil	(866) 275-4732

ADDENDUM B – SAMPLE FILES

The ICD associated with this program will give detail information about each field such as format, acceptable field values, start position, length, and end position for each field. These following are examples of the each file type after the formats in the ICD are applied. Some column names have been shortened from ICD names to accommodate the space available on these pages.

Each quarter two files for each program (e.g. UF VARR and VARR (Utilization) will be generated.

1. Utilization Flat File: Transaction Level Data - Utilization detail records will be provided at the individual claim level to report prescription level data.

2. Summary Utilization Flat File: Product Level Data - Utilization detail records will be provided at an NDC level to report product level data.

3. Reconciliation Flat File: Each quarter there will be one Reconciliation File that totals each NDC number for each program. There will be one reconciliation flat file regardless of the number of plans in which a manufacturer participates.

Each file will contain a header record and a trailer record. The detail records will be in between the header and trailer record. Header records contain specific information pertaining to each manufacturer such as the refund start and end dates, transmission date, and type of file (original batch, replacement batch).   The trailer record will contain the same information as the header record along with total record count for the file, total metric quantity, and total requested refund amount. The trailer record includes those summations to allow the manufacturer to ensure all records in each file have been received.

Utilization Flat File: Transaction Level Data

Header Record:

Record Type	FF Action Code	Rebate Ver#	Trans Date	Trans Control #	Rebate Batch #	Man Contract #	Cont Org Cont #	Reb Start Period	Reb End Period
HD	00	03.02	20061206	U02330111	00173-U02330111	V121P-1221X	DOD-FRUITT	20061001	20061231

FF Cont Org IDQ	Cont Org ID Code	Cont Org Name	FF Data Prov IDQ	Data Prov ID Code	Data Prov Name	FF MFG IDQ	MFG ID Code	MFG Name	Filler
M	FRUITT	FRUIT&JUICE	M	F&J	FRUIT&JUICE	M	F&J	FRUIT&JUICE	

Detail Records:

Record Type	Line Number	Data Level	PlanID Qual	Plan ID Code	Plan name	PhcyID Qual	Phcy ID Code	Phcy Zip Cod	Prod Code Q	Prod Code	Prod Desc	DAW
UD	00000000001	CP				N	4571394	761140000	N	10001000001	Apple	1
UD	00000000002	CP				N	1714472	664391238	N	10002000001	Orange	0
UD	00000000003	CP				N	4422743	373120000	N	10001000001	Apple	0
UD	00000000004	CP				N	1005570	329350000	N	10002000001	Orange	0
UD	00000000005	CP				N	4571394	761140000	N	10001000001	Apple	1

MQ	UM	DF ID Code	Diag Code	Reb DS	Pres Type	FF TN PR	RX Number	Date of Fill	Reim Date	TC Class Code Q	TC Class Code	TC Class Desc	Plan Reim Q	Plan Reim Amt
00000000030000	EA			030	1		7209636	20061023						
00000000030000	EA			030	1		0189053	20061023						
00000000060000	EA			030	1		7344017	20061023						
00000000030000	EA			030	1		0192717	20061023						
00000000030000-	EA			030-	1-		7209636	20061023						

Pt Liab Amt	NR	Rec Pur Ind	Rebate Per Unit Amt	Req Rebate Amt	Form Code	FF Pres IDE ID Q	Pres ID	PT ID	Claim Number	Filler
	02	R						MTEzMTIzOTA3Mg==	U06296JD834401	
	03	R						MTE0OTMzMjgxOQ==	U06296KDC93101	
	01	R						MTEwODMzMTExNQ==	U06296L7CE1701	
	00	R						MTAxMzg4NDAzNg==	U06296N3D54001	
	02	R						MTEzMTIzOTA3Mg==	U06296JD834401	

Trailer Record:

Record Type	FF Action Code	Rebate Ver#	Trans Date	Trans Control #	Rebate Batch #	Man Contract #	Cont Org Cont #	Reb Start Period	Reb End Period	FF Cont Org IDQ	Cont Org ID Code
TR	01	03.03	20061207	U02330112	00173-U02330112	V121P-1221X	DOD-FRUITT	20061001	20061231	M	FRUITT

Cont Org Name	FF Data Prov IDQ	Data Prov ID Code	Data Prov Name	FF MFG IDQ	MFG ID Code	MFG Name	Grand Tot MQ	Grand Tot Req Req Amt	Total Record Count	Filler
FRUIT&JUICE	M	F&J	FRUIT&JUICE	M	F&J	FRUIT&JUICE	00000000120000		0000000005	

Summary Utilization Flat File: Product Level Data

Header Record:

Record Type	FF Action Code	Rebate Ver#	Trans Date	Trans Control #	Rebate Batch #	Man Contract #	Cont Org Cont #	Reb Start Period	Reb End Period
HD	00	03.02	20061206	U02330111	00173-U02330111	V121P-1221X	DOD-FRUITT	20061001	20061231

FF Cont Org IDQ	Cont Org ID Code	Cont Org Name	FF Data Prov IDQ	Data Prov ID Code	Data Prov Name	FF MFG IDQ	MFG ID Code	MFG Name	Filler
M	FRUITT	FRUIT&JUICE	M	F&J	FRUIT&JUICE	M	F&J	FRUIT&JUICE	

Detail Records:

Record Type	Line Number	Data Level	PlanID Qual	Plan ID Code	Plan name	PhcyID Qual	Phcy ID Code	Phcy Zip Cod	Prod Code Q	Prod Code	Prod Desc	DAW
UD	00000000001	CN							N	10001000001	Apple	
UD	00000000002	CN							N	10002000001	Orange	

MQ	UM	DF ID Code	Diag Code	Reb DS	Pres Type	Total RX Count	RX Number	Date of Fill	Reim Date	TC Class Code Q	TC Class Code	TC Class Desc	Plan Reim Q
00000000060000	EA					0000002		00000000	00000000				
00000000060000	EA					0000003		00000000	00000000				

Plan Reim Amt	Pt Liab Amt	NR	Rec Pur Ind	Rebate Per Unit Amt	Req Rebate Amt	Form Code	FF Pres IDE ID Q	Pres ID	PT ID	Claim Number	Filler
		00	R	00000035000	00000002100						
		00	R	00000050000	00000003000						

Trailer Record:

Record Type	FF Action Code	Rebate Ver#	Trans Date	Trans Control #	Rebate Batch #	Man Contract #	Cont Org Cont #	Reb Start Period	Reb End Period	FF Cont Org IDQ	Cont Org ID Code
HD	00	03.02	20061206	U02330111	00173-U02330111	V121P-1221X	DOD-FRUITT	20061001	20061231	M	FRUITT

Cont Org Name	FF Data Prov IDQ	Data Prov ID Code	Data Prov Name	FF MFG IDQ	MFG ID Code	MFG Name	Grand Tot MQ	Grand Tot Req Req Amt	Total Record Count	Filler
FRUIT&JUICE	M	F&J	FRUIT&JUICE	M	F&J	FRUIT&JUICE	00000000120000	00000005100	0000000002	

Reconciliation Flat File: Product Level Data

Header Record:

Record Type	FF Action Code	Rebate Ver#	Trans Date	Recon Trans Control #	Tran Control #	Rebate Batch #	MFG Contract #	Cont Org Number	Rebate Start Date
HD	00	03.02	20061206	U02330111	U02330111	00173-U02330111	V121P-1221X	DOD-FRUITT	20061001

Rebate End Date	FF Cont Org IDQ	Cont Org ID Code	Cont Org Name	FF Data Prov IDQ	Data Prov ID Code	Data Prov Name	FF MFG IDQ	MFG ID Code	MFG Name	Rec Status Code
20061231	M	FRUITT	FRUIT&JUICE	M	F&J	FRUIT&JUICE	M	F&J	FRUIT&JUICE	P

RRC1	RRC2	RRC3	RRC4	RRC5	RED	Filler

In this file, the detail records alternate between RD and RT for each NDC. There will be a one line for Type RD summary that provides totals for all plan types for a specific NDC. There will be multiple lines for Type RT summary if a NDC switched plans during the quarter. For example- if an NDC between VARR refund programs during the same quarter, there would be a RT line for VARR totals and a RT line for the 703 totals. In this example, the NDCs are only included in the 703 program so there is only one RD and RT line per NDC. RT field Rebate Type and Rebate Type description will identify the plan.

Detail Record (RD) For NDC1:

Record Type	RecLineNum	Utilization Line Num	Data Level	Plan IDQ	Plan ID Code	Plan Name	Phcy IDQ	Phcy ID Code	Phcy Zip Code	Prod Code Q	Product Code	Product Desc
RD	00000000001	00000000001	CN							N	10001000001	Apple

MQ	Tot RXs	Pres Num	Date Filled	NR	Rec Pur Ind	Rebate Per Unit Amt	Req Rebate Amt	Form Code	Claim Num	Paid Per Unit Amt	Paid Rebate Amt	Rebate Var Amt
00000000060000	0000003		00000000	00	R	00000035000	00000002100					

Adj Rebate Per Unit	Disp Qty	Adj Qty	Acc MQ	Adj Var Diff	Withheld Inv Amt	Org Rebate Per Unit	Curr Rebate Per Unit	Org Unit Invoiced	Current Units to Date	Prior Units to Date	Current Units Pd to Date	Prior Units Disputed	Current Units Disputed to Date	Org Amt Inv

Revised Inv Amt	Prior Amt Paid	Current Amt Pd to Date	Amt Pd This TX	Num Or Reb Type Records	Rec Status Code	RRC1	RRC2	RRC3	RRC4	RRC5	RED	Filler
				0000000001	P							

Detail Record (RT) for NDC1:

Record Type	R Line Number	Rebate Type	Rebate Type Desc	Rebate Rate	Base Price Type	Base Price Desc	Base Price	Performance Q	Performance Desc
RT	00000000001	**010**	**703**	00000020000					

Performance	Level Achieved	Baseline Q	Baseline Desc	Baseline	FF Accepted MQ	PD Per Unit Amt	Pd Rebate Amt
					00000000060000	00000035000	00000002100

RRC1	RRC2	RRC3	RRC4	RRC5	RED	Filler

Detail Record (RD) for NDC2:

Record Type	RecLineNum	Utilization Line Num	Data Level	Plan IDQ	Plan ID Code	Plan Name	Phcy IDQ	Phcy ID Code	Phcy Zip Code	Prod Code Q	Product Code	Product Desc
RD	00000000002	00000000002	CN							N	10002000001	Orange

MQ	Tot RXs	Pres Num	Date Filled	NR	Rec Pur Ind	Rebate Per Unit Amt	Req Rebate Amt	Form Code	Claim Num	Paid Per Unit Amt	Paid Rebate Amt	Rebate Var Amt
00000000060000	0000002		00000000	00	R	00000038664	00000308000					

Adj Rebate Per Unit	Disp Qty	Adj Qty	Acc MQ	Adj Var Diff	Withheld Inv Amt	Org Rebate Per Unit	Curr Rebate Per Unit	Org Unit Invoiced	Current Units to Date	Prior Units to Date	Current Units Pd to Date	Prior Units Disputed	Current Units Disputed to Date	Org Amt Inv

Revised Inv Amt	Prior Amt Paid	Current Amt Pd to Date	Amt Pd This TX	Num Or Reb Type Records	Rec Status Code	Rec Reason Code	Rec Reason Code 2	Rec Reason Code 3	Rec Reason Code r	Rec Reason Code 4	Rec Error Desc	Filler
				0000000001	P							

Detail Record (RT) for NDC2:

Record Type	R Line Number	Rebate Type	Rebate Type Desc	Rebate Rate	Base Price Type	Base Price Desc	Base Price	Performance Q	Performance Desc
RT	00000000002	**006**	**703**	00000015000					

Performance	Level Achieved	Baseline Q	Baseline Desc	Baseline	FF Accepted MQ	PD Per Unit Amt	Pd Rebate Amt
					00000000060000	00000050000	00000003000

RRC1	RRC2	RRC3	RRC4	RRC5	RED	Filler

Trailer Record:

Record Type	FF Action Code	Rebate Ver#	Trans Date	Recon Trans Control #	Tran Control #	Rebate Batch #	MFG Contract #	Cont Org Number	Rebate Start Date	Rebate End Date	FF Cont Org IDQ	Cont Org ID Code
TR	00	03.02	20061206	U02330111	U02330111	00173-U02330111	V121P-1221X	DOD-FRUITT	20061001	20061231	M	FRUITT

Cont Org Name	FF Data Prov IDQ	Data Prov ID Code	Data Prov Name	FF MFG IDQ	MFG ID Code	MFG Name	Grand Tot MQ	Grand Tot Acc MQ	Grand Tot PD Reb Amt	Int Amt	Total Rem	Total Record Count	Rec Status Code
FRUIT&JUICE	M	F&J	FRUIT&JUICE	M	F&J	FRUIT&JUICE							P

RRC1	RRC2	RRC3	RRC4	RRC5	RED	Filler

ADDENDUM C – SAMPLE NON-FAMP CALCULATIONS RESULTING FROM TRRX REFUND PROCESS (VA SECTION)

I. NON-FAMP CONSIDERATIONS

If TRRx sales include product delivered through wholesalers (as opposed to direct sales to pharmacies), and a manufacturer uses wholesale sales to compute non-FAMPs, these TRRx sales and units must be removed from wholesale sales to calculate non-FAMPs.

If products sold to TRRx were originally booked as direct sales to a retail chain, it is likely that these sales were already excluded from the non-FAMP calculations, and they should not be backed out a second time.

Direct contract sales from manufacturers are already excluded from AMP and non-FAMP, unless the manufacturer only sells direct or less than 10 percent of unit sales are through a wholesaler, then the buyer is considered the wholesaler for non-FAMP purposes.

If a manufacturer is required to use direct sales to compute non-FAMPs (because of the absence of wholesale sales), then TRRx purchases (dollars and units) included in direct *contract* sales should be backed out from the non-FAMP calculations.

If the TRRx transactions cause anomalies in the non-FAMP that are not taken care of through the normal chargeback smoothing methodology, communicate those issues for consideration to the National Acquisition Center (708-786-5167).

Sample Scenarios of Non-FAMP impact

1. Scenario 1, Method 1

Manufacturer sells only to Wholesalers,

Manufacturer has no contractual agreements with the retail pharmacies,

Manufacturer removes Federal sales by using the FCP

Annual Non-FAMP = $94.74

Original Calculation

	DOLLARS	UNITS
WHOLESALE SALES (WAC = $100)	$10,000,000.00	100,000
LESS:		
PROMPT PAY DISCOUNT (2%)	$ 200,000.00	
GOVERNMENT SALES @ $72	$ 360,000.00	5,000
PHS @ 602 PRICE $75	$ 2,250.00	30
CHARGEBACKS	$ 523,075.00	
SUBTOTAL REDUCTIONS	$ 1,085,325.00	
NON-FEDERAL DOLLARS & UNITS	$ 8,914,675.00	94,970
New Quarterly NON-FAMP	$93.87	

TRRx reports to manufacturer that retail pharmacies purchased 1,250 units of the NDC.

Given the assumptions the refund to TRICARE would be: 1,250 x ($94.74-$72.00) = $28,425

Non-FAMP changes

When the manufacturer does not know the price to the retailer; the refund to TRICARE based on non-FAMP cannot be used to re-state the non-FAMP.

The amount used to restate the non-FAMP must be at WAC. (The fact that TRICARE has offered Manufacturers a lesser price to calculate the refund cannot translate to an assumption that the original sale occurred at other than WAC.)

Changes to non-FAMP (Scenario 1, Method 1)

Government sales at FCP are increased by 1,250 units at $72.00, units are increased by 1,250.

An additional reduction is made to account for the TRRx refund which is the difference between WAC and the FCP times the number of units or (100-$72) x 1,250 = $35,000

Effect on Non-FAMP Changes

	DOLLARS	UNITS
WHOLESALE SALES (WAC = $100)	$10,000,000.00	100,000
LESS:		
PROMPT PAY DISCOUNT (2%)	$ 200,000.00	
GOVERNMENT SALES @ $72	$ 450,000.00	6,250
PHS @ 602 PRICE $75	$ 2,250.00	30
CHARGEBACKS	$ 523,075.00	
TRRX Refund @ WAC	$ 35,000.00	
SUBTOTAL REDUCTIONS	$ 1,210,325.00	
NON-FEDERAL DOLLARS & UNITS	$ 8,789,675.00	93,720
NON-FAMP	$93.79	

2. Scenario 1 Method 2

Manufacturer sells only to Wholesalers,
Manufacturer has no contractual agreements with the retail pharmacies
Manufacturer removes Federal sales by adjusting wholesale sales and chargebacks
Non-FAMP = $94.74.

Scenario 1, Method 2 (cont.)

Original Calculation

	DOLLARS	UNITS
WHOLESALE SALES (WAC = $100)	$10,000,000.00	100,000
LESS:		
PROMPT PAY DISCOUNT (2%)	$ 200,000.00	
GOVERNMENT SALES @ WAC	$ 500,000.00	5,000
PHS @ WAC	$ 3,000.00	30
CHARGEBACKS	$ 523,075.00	
(Less government & PHS chargebacks)	$ -140,750.00	
SUBTOTAL REDUCTIONS	$ 1,085,325.00	
NON-FEDERAL DOLLARS & UNITS	$ 8,914,675.00	94,970
NON-FAMP	$93.87	

Scenario 1, Method 2: Non-FAMP Changes

Government sales at "WAC" is increased by 1,250 x $100.00.

Units are increased by 1,250.

No further adjustment is necessary, because the chargeback system is not affected by the transaction.

Effect on Non-FAMP

	DOLLARS	UNITS
WHOLESALE SALES (WAC = $100)	$10,000,000.00	100,000
LESS:		
PROMPT PAY DISCOUNT (2%)	$ 200,000.00	
GOVERNMENT SALES @ WAC	$ 625,000.00	6,250
PHS @ WAC	$ 3,000..00	30
CHARGEBACKS	$ 523,075.00	
(Less government & PHS chargebacks)	$ -140,750.00	
SUBTOTAL REDUCTIONS	$ 1,210,325.00	
NON-FEDERAL DOLLARS & UNITS	$ 8,789,675.00	93,720
NON-FAMP	$93.79	

3. Scenario 2, Method 1

Manufacturer sells only to Wholesalers,
Manufacturer has agreement with the retail pharmacy at a sales price of $95.00, and
Manufacturer removes Federal sales by using the FCP.

Original Calculation

	DOLLARS	UNITS
WHOLESALE SALES (WAC = $100)	$10,000,000.00	100,000
LESS:		
PROMPT PAY DISCOUNT (2%)	$ 200,000.00	
GOVERNMENT SALES @ $72.00	$ 360,000.00	5,000
PHS (@ 602 PRICE $75.00)	$ 2,250.00	30
CHARGEBACKS	$ 523,075.00	
SUBTOTAL REDUCTIONS	$ 1,085,325.00	
NON-FEDERAL DOLLARS & UNITS	$ 8,914,675.00	94,970
NON-FAMP	$93.87	

TRRx reports to manufacturer that retail pharmacies purchased 1,250 units of the NDC.

Given the assumptions (wholesale sales only, known contract price to retail pharmacy the refund to TRICARE would be 1,250 x ($95.00-$72.00) = $28,750

Method 1: Changes to Non-FAMP
When the manufacturer knows the price to the retailer, those transactions will need to be replaced with TRICARE transactions.

The chargeback transactions are decreased by the chargebacks for those units now classified as TRICARE (1,250 x $5.00 = $6,250).

An additional reduction is made to account for the TRRx refund which is the difference between WAC and the FCP times the number of units or ($100-$72) x 1,250 = $35,000.

The fact that TRICARE has offered Manufacturers a lesser price to calculate the refund cannot translate to an assumption that the original sale occurred at other than WAC.

Effect on Non-FAMP

	DOLLARS	UNITS
WHOLESALE SALES (WAC = $100)	$10,000,000.00	100,000
LESS:		
PROMPT PAY DISCOUNT (2%)	$ 200,000.00	
GOVERNMENT SALES @ $72.00	$ 450,000.00	6,250
PHS (@ 602 price $75.00)	$ 2,250.00	30
CHARGEBACKS	$ 516,825.00	
TRRx Refund @ WAC	$ 35,000.00	
SUBTOTAL REDUCTIONS	$ 1,204,075.00	
NON-FEDERAL DOLLARS & UNITS	$ 8,795,925.00	93,720
NON-FAMP	$93.85	

4. Scenario 2, Method 2

Manufacturer sells only to Wholesalers
Manufacturer has contractual agreements with the retail pharmacies

Manufacturer removes Federal sales by adjusting wholesale sales and chargebacks
Non-FAMP = $94.74

Original Calculation

	DOLLARS	UNITS
WHOLESALE SALES (WAC = $100)	$10,000,000.00	100,000
LESS:		
PROMPT PAY DISCOUNT (2%)	$ 200,000.00	
GOVERNMENT SALES @ WAC	$ 500,000.00	5,000
PHS @ WAC	$ 3,000.00	30
CHARGEBACKS	$ 523,075.00	
(Less Government and PHS chargebacks)	$ - 140,750.00	
SUBTOTAL REDUCTIONS	$ 1,085,325.00	
NON-FEDERAL DOLLARS & UNITS	$ 8,914,675.00	94,970
NON-FAMP	$93.87	

Method 2: Changes to non-FAMP

Government sales at "WAC" is increased by 1,250 x $100.00,

Units are increased by 1,250

No further adjustment is necessary because the chargeback system is not affected by the transaction.

Effect to non-FAMP

	DOLLARS	UNITS
WHOLESALE SALES (WAC = $100)	$10,000,000.00	100,000
LESS:		
PROMPT PAY DISCOUNT (2%)	$ 200,000.00	
GOVERNMENT SALES @ WAC	$ 625,000.00	6,250
PHS @ WAC	$ 3,000.00	30
CHARGEBACKS	$ 516,825.00	
(Less Government and PHS chargebacks)	$ - 140,750.00	
SUBTOTAL REDUCTIONS	$ 1,204,075.00	
NON-FEDERAL DOLLARS & UNITS	$ 8,795,925.00	93,720
NON-FAMP	$93.85	